

COMMITTEE MINUTES for GOVERNMENT OVERSIGHT

Date: March 24, 2010

Place: Rm 103, Supreme Court Chamber

Convened: 3/24/2010 **Recessed:**
12:10 PM

Reconvened:

Adjourned: 3/24/2010
1:40 PM

Present: Senators Olive-CH, Courtney-VC, Ward-RM, Sodders, Wieck
Representatives Lensing-CH, Ford-VC, Watts-RM, Baudler, Berry, Olson, S., Sorenson, Swaim, Whitead

Absent: None

Excused: None

Senator Olive called the meeting to order at 12:10 p.m. on March 24, 2010. Roll call was taken as the members arrived. The minutes of the previous meeting were approved as distributed.

Senator Olive introduced IASB Interim Director Harry Heiligenthal. Then he and IASB attorney Nolden Gentry answered questions from the committee. Mr. Heiligenthal stated that he was named interim director only 8 days ago, so did not have a lot of knowledge of events prior to that time. Prior to that he was IASB's Leadership Development Director. Mr. Heiligenthal and Mr. Gentry responded to questions and stated that IASB has hired Jack Lipovac & Associates (and associate Bill Moulder) to investigate 4 whistle-blower complaints. They also stated that subsidiary audits are included in the consolidated audit, and that the controller can be contacted for contacts in each subsidiary.

Bill Morain, board treasurer, read a prepared statement. He said 10 board members are present today. He said he has been a board member since January, 2010, after 1 year off and 5 years previously on. He said their board "shares your anger at this situation." He said that their board could maybe have exercised more oversight during the change of management, but "none of us could have envisioned that such an appalling level of misconduct was even a remote possibility." He stated that expert consultation was obtained when considering forming subsidiaries. He said that 2 factors caused their current problems: changes in 2 administrative positions (to Maxine Kilcrease and Kevin Schick) and low interest rates. Both of these factors brought sharp changes of direction. In-house legal counsel LeGrand Smith assured the board that everything was OK. There was an unintended draw-down of the federal grant, but this will be resolved when the audit is completed. Most problems were discovered around the end of 2009. There was some communication with the state auditor on 10/28/09 about them doing an audit. They elected to wait until the present audit is completed and review it before making a decision. Ms. Kilcrease had informed the board that because there could be litigation against the auditors the board should not speak with them. There are now policies regarding nepotism and credit card use. Payroll checks are handled off-site by a third party. The answer to a question about how the search for executive director was accomplished was answered with "we will check on that and let you know."

Brief comments were made by board members Scott Hansen, Russ Wiesley (IASB board president), and Lee Ann Grimley (president-elect).

Representative Swaim moved to request subpoena power from the legislative council. Representative Baudler seconded the motion. Motion carried.

Senator Ward moved the meeting be adjourned at 1:40 p.m.

Senator Rich Olive